1969 Annual Report

The Concept of Rapid-American

Rapid-American Corporation has been designed as the central controlling element of a vast business structure—with the objective of participating in the success and growth of the total entity. The annual revenues of the Rapid-American family of companies now exceed $2 billion from such important fields as: men's wear and luggage manufacture, a broad spectrum of retailing, manufacturing and marketing of consumer packaged products, leisure activities, building materials, and advanced technology products.

Important elements within the total family of companies are Rapid-American's three wholly-owned divisions, which share four specific characteristics: Each is expert in manufacturing products for which there is sustained, widespread consumer demand. Each is notable for the competence and depth of its operating management. Each is recognized as a leader in its field. And each exhibits the prospect of sustained growth in the future.

All units in the family of companies look to the executive staff of Rapid-American for financial planning, personnel benefits programs and other central services that leave the operating management of each unit free to concentrate on fulfilling its own growth potential.

The following relationships of less than wholly-owned consolidated subsidiaries within the Rapid-American "Family of Companies" should be noted:

Rapid-American Corporation owns 64% of Glen Alden Corporation common stock and 56% of McCrory Corporation common stock. Glen Alden owns 88% of Schenley Industries, Inc. common stock, 70% of ILC Industries, Inc. common stock and 77% of the voting power of the capital stock of Panacon Corporation (formed April 9, 1970 by the merger of Philip Carey and Briggs Manufacturing). McCrory Corporation owns 61% of Lerner Stores Corporation common stock.

Rapid-American Corporation
1969 Annual Report

In Fiscal 1969 . . .

Rapid-American achieved substantial increases in consolidated sales, $2,088,704,000, and net income, $20,742,000, equal to $3.47 per common share—all records.

Rapid-American made a successful offer to Glen Alden Corporation stockholders, resulting in Rapid-American acquiring 64% of Glen Alden's common stock.

Glen Alden, the subsidiary engaged in marketing consumer packaged products and other fields, and McCrory Corporation, the retailing subsidiary, both achieved record sales.

McCrory reported sales of $918,788,000 and earnings of $14,001,000. Glen Alden reported revenues of $1,249,005,000 and earnings of $21,768,000 for its 1969 calendar year.

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Annual Meeting:
The 1970 Annual Meeting of Shareholders of Rapid-American Corporation will be held in Room 315, Chemical Bank Building, 277 Park Avenue, New York City, on Wednesday, May 27, 1970 at 10:30 a.m.

To Our Shareholders:

Fiscal 1969 was a period of great achievement for Rapid-American Corporation. This distinct progress can be measured by the record financial results reported by Rapid-American and the results of our two principal subsidiaries, Glen Alden Corporation and McCrory Corporation.

Earnings were $20,742,000, compared with $10,896,000 reported last year. On a per share basis, primary earnings were $3.47 for the year ended January 31, 1970 and $3.26 for the prior year.*

Especially important, Rapid-American's income before extraordinary credits rose to $20,033,000 for fiscal 1969, from $7,959,000 the previous year. Expressed on a common share basis, these earnings were $3.34, up from $2.29.

Sales were $2,088,704,000, increased from $926,921,000 in 1968. This gain reflects the consolidation of Glen Alden together with the record sales of McCrory and two of our three divisions, Joseph H. Cohen & Sons and Cross Country Clothes.

The gains in 1969 sales and earnings were accomplished despite higher costs, principally for labor, interest and higher taxes in a slowing economy, resulting in part from the government's efforts to control inflation. The impact of the slowdown, which was experienced widely in the business community, affected the fourth quarter results of many of our subsidiaries and particularly our wholly-owned divisions. Otherwise, our results would have been even higher.

During 1969 Rapid-American acquired a direct 64 per cent interest in the common stock of Glen Alden and thereby gained many new Rapid-American shareholders. Glen Alden's operations for the period of March through December 1969 are included in Rapid-American's consolidated results.

* On a fully diluted basis, earnings per share were $1.50 for fiscal 1969 and $1.63 for fiscal 1968, including extraordinary credits of 9 cents in 1969 and 55 cents in 1968.

Glen Alden, having essentially completed its acquisition program, is now in the process of consolidating its organization. The nucleus of this company is in the field of manufacturing and marketing consumer packaged products and is based upon the leadership and expertise of International Playtex, Schenley Industries and The B.V.D. Company.

Rapid-American's other principal subsidiary, McCrory Corporation, which covers a broad spectrum of retailing, achieved record sales for the fourth consecutive year. It has existed in its present basic organizational structure for the past three years and has been generating its progress through internal growth. Its goals are to achieve balanced growth and uniform strength throughout all its operations.

Looking at the entire Rapid-American Family of Companies, we are enthusiastic about the prospects for continued achievement of our fundamental objective—that of long-term major growth. This was the initial objective when this corporate structure was started 15 years ago. Some measure of how well the company has done in accomplishing this objective can be seen in the following comparisons of the past year's results with those reported by our predecessor company in 1955, when the present management invested in it and took active control.

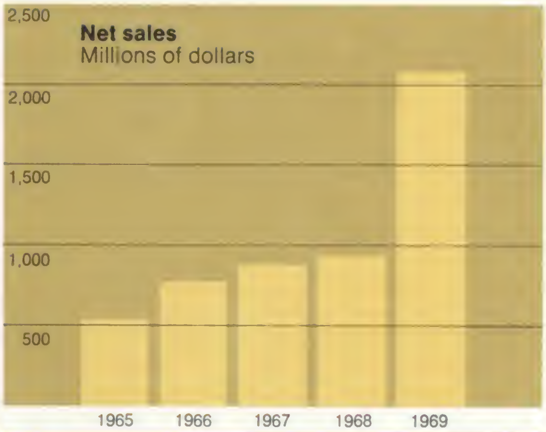
	1969	1955
Sales	$2,088,704,000	$4,846,000
Earnings	20,742,000	439,000
Shareholders' Equity	175,013,000	3,102,000

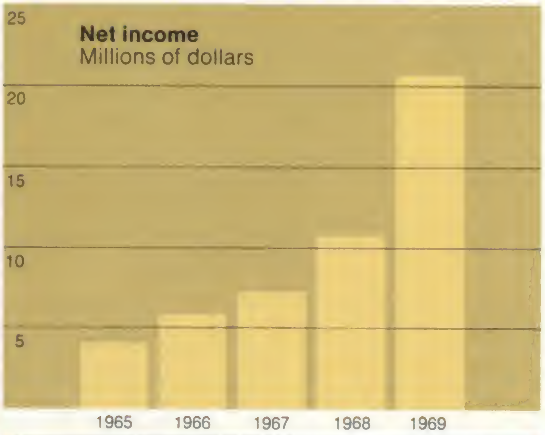
For the current year, we are optimistic about the opportunities to make progress, despite the uncertain economic indicators. We are fortunate to have superb support from our suppliers, banks, shareholders, directors, officers, and employees. Such support has been an essential ingredient in our achievements to date and it is equally vital in the current year. Together we expect to go forward in 1970.

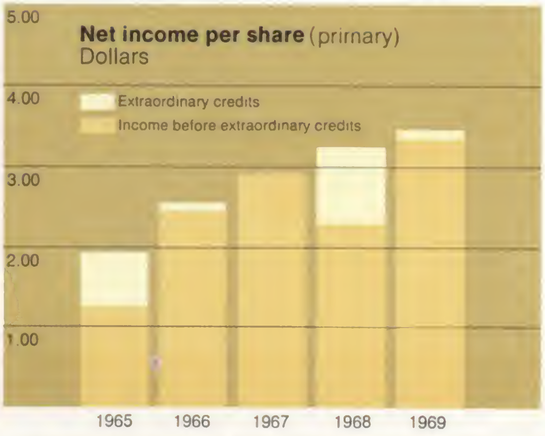
Sincerely,

M. Riklis
Chairman of the Board and President

April 15, 1970







Prior years have been restated, where necessary, in accordance with Accounting Principles Board Opinion 15, issued in May 1969.

Just suits him (Cross Country Clothes)

Even avant garde! (Joseph H. Cohen & Sons *Palladium* line)

Luggage that pleases
(Leeds Travelwear)

Rapid-American Corporation

Joseph H. Cohen & Sons
A firm with keen insight into all facets of the men's wear market, Joseph H. Cohen & Sons has demonstrated the ability to anticipate and capitalize on changing fashion trends.

The firm's *JHC* designer collections, produced under the direction of Chief Designer Paul Bellino, found excellent response from the trade and consumers. The continued growth of men's interest in fashion has broadened the demand for the authoritative fashion lines for which Joseph H. Cohen & Sons is known.

A new division, *Palladium*, was started in 1969 to introduce a constantly changing series of ultra-high-fashion suits, jackets and ensembles to the retail trade. Only the advanced production capability of Joseph H. Cohen permitted the firm to pioneer in serving this youth-oriented market at the same time as it continues to build its position as the largest independent supplier of men's tailored clothes.

The construction of a 10-story, 150,000-square-foot addition to the Joseph H. Cohen main factory in Philadelphia was nearly completed at year end. It will give the firm one of the most modern production facilities in the world and support the expanded sales plans for the *JHC*, *Career Clothes* and *Palladium* lines.

Leeds Travelwear
Leeds in 1969 expanded its range of products and moved aggressively into new sales areas.

Highlight of the year was the highly successful introduction of a line of European-inspired, continental-look luggage, under the *Prego* trade name. The *Prego* soft-sided, belted luggage is constructed from high-quality expanded vinyl. With its fine manufacturing touches and elegant styling, the seven-piece *Prego* line was accorded the strongest trade reception ever given a new Leeds product, and opened the way for Leeds continental-style luggage in three of the country's largest retail chains.

Gratifying gains were also made in providing Leeds underseat bags and luggage sets as premiums and prizes for incentive programs, a growingly important market. A successful program to increase bowling bag business is expected to make Leeds the nation's largest supplier of these sport bags in 1970.

Further refinements were made in the *Rotocast* process for molding luggage and sport bags, a Leeds exclusive. The market continued to respond well to the general-purpose, zippered bag produced by the *Rotocast* method. On the horizon is application of this process to the manufacture of rigid-molded trunks, attaché cases and hard-sided luggage.

Cross Country Clothes
This firm continued to expand its role as a prime supplier of well-made, reasonable-priced men's tailored apparel to major retail chains.

Cross Country recognizes the special requirements of mass retailers and has geared its production, quality control and service capabilities to meet them. Centered in Northampton, Pennsylvania, the firm makes garments that are sold from coast to coast.

A highlight of the year was the development and introduction to the trade of a double-knit blazer—the first time such a garment has been available in the moderate-priced category. A year and a half in development, the blazer is expected to generate a significant number of new sales in 1970, because retailers recognize it as an item to be featured to their customers. The Cross Country Clothes double-knit blazer, available in a double-breasted style, is wrinkle-proof and provides the flexible wearing comfort of a sweater, while it presents the look of a woven fabric.

Also during the year, Cross Country Clothes continued to bring out up-to-the-minute styles in its suit and sport coat lines.

Preview of coming fashion (Joseph H. Cohen & Sons)

The going-places look! (Leeds *Prego* line)

A nifty knitted blazer (Cross Country Clothes)

Sidıng with quality (Philip Carey)

First name in bras (Playtex)

Eye-catching men's furnishings (Glen Alden retail shops)

Checking out a good stock (Schenley liquors)

Glen Alden Corporation

Total Glen Alden revenues for 1969 were $1,249,005,000 and net income was $21,768,000. This compares with 1968 revenues of $787,919,000 and net income of $23,522,000.

Each major operation had a successful year except The B.V. D. Company and steps were taken to strengthen that division's management and organization. The textile and theatre divisions did well, although not quite up to earlier plans.

The newest and largest Glen Alden operation, Schenley Industries, showed excellent improvements in operations and in profit performance. Schenley sales for 1969 were $643,075,000, up from $550,348,000 in its previous fiscal year ended August 31, 1968. Earnings increased comparably.

International Playtex continued to make significant gains, notably in its brassiere and girdle business and its international operations.

International Playtex sales for 1969 were $178,419,000, a gain over 1968's $164,458,000. Operating profit grew at an even better rate.

Philip Carey Corporation had another fine year, despite the softening of the building industry, particularly in the latter half of the year. Sales increased to $106,192,000, up from $96,632,000 in 1968. Growth in earnings was below the sales gain, yet operating profit approximated the 1968 record figure.

Plans were formulated to merge Philip Carey with another building materials operation, Briggs Manufacturing Company. When Glen Alden assumed management control of Briggs in 1966 the company had incurred severe losses and it did not turn a profit until 1969. (The merger took place on April 9, 1970. The surviving company is named Panacon Corporation.)

ILC Industries, Inc., played a major part in the lunar landings as developer and manufacturer of the Apollo space suits. It will continue as prime contractor for this equipment in future flights. ILC's government and industrial operations showed continued growth in sales and earnings over 1968.

Glen Alden management has indicated that 1969 total results were far from satisfactory, despite the good performance of all operating divisions except one. Management looks at both the near and long-term future with considerable optimism, assuming reasonably good economic conditions. One key factor is the growth projected by both Schenley and Playtex, which together contribute roughly two-thirds of Glen Alden's sales and even more of its operating earnings.

Glen Alden Corporation Units

INTERNATIONAL PLAYTEX CORPORATION
Manufactures and markets girdles, bras, family products including tampons, household gloves, swim and shower caps, toothbrushes, disposable nursing bottles, diapers, and baby pants.

RKO-STANLEY WARNER THEATRES
Operates 132 motion picture theatres in 95 cities.

THE B.V. D. COMPANY, INC.
Manufactures, markets, retails men's apparel; produces other soft goods.

TEXTILE DIVISION
(Swift Textiles, Inc., Opp Cotton Mills and Micolas Mills) Produces woven cotton, apparel and industrial fabrics.

PANACON CORPORATION
(merger of Philip Carey Corporation and Briggs Manufacturing Company) Manufactures building materials and plumbing fixtures for home and commercial construction.

SCHENLEY INDUSTRIES, INC.
Produces, imports and markets a broad line of Bourbon, Scotch, Canadian and blended whiskies, other distilled spirits, and wines—among them some of the nation's best known brands.

ILC INDUSTRIES, INC.
Produces Project Apollo spacesuits, air-supported structures, medical instrumentation.

Good mixers: old friends and Schenley liquors

Suited for the moon (ILC Industries)

Bathroom brightener (Philip Carey fixtures)

Traveling companions (B.V.D. men's furnishings)

Known everywhere for quality (Playtex bras, girdles and family products)

Goods on the go (MMG variety stores)


The Best way of elegant shopping
(Best & Co. Designers Shop)


Silent fashion statement (Lerner Shops)


Sure looks real (S. Klein)

Entrance to values (Lerner Shops)


Wares to pedal (Otasco Stores)

McCrory Corporation

Fiscal 1969 was an excellent year for McCrory Corporation. Sales were $918,788,000, up 7.4 per cent from 1968. Earnings were $14,001,000, up 12.4 per cent from the previous year's income before extraordinary items. This is the sixth straight year of record earnings.

The McCrory-McLellan-Green Variety Stores division increased sales by 6.1 per cent, to some $261 million. Its pretax earnings gained at a substantially greater rate.

Food units, now operated in more than half the chain's 642 outlets, make a substantial contribution to the division's profit. MMG added 39 new outlets during the fiscal year.

New highs in sales and earnings were reached by the Otasco & Economy Auto Stores division. It recorded sales of $86 million, an advance of 8 per cent. It improved its pretax earnings comparably.

A sizable portion of Otasco's gain in income resulted from its program to increase installation of auto parts and accessories. The chain now has 482 outlets.

S. Klein Department Stores made progress in 1969, putting more emphasis on wearing apparel and other soft goods, while de-emphasizing the less-profitable hard lines. Not unexpectedly, this had an impact on Klein's sales, which dropped 2.3 per cent, to $205 million. But contrasted to the sales decline, pretax profits climbed by a substantial percentage.

Two new Klein stores were opened in New York City suburbs, making a total of 15 units.

Best & Co. instituted a number of fashion programs reinforcing its position as a Fifth Avenue leader and improving sales in the New York City store by 7 per cent. The division's overall sales, however, were up only 1 per cent, to approximately $36 million, and it showed a pretax loss of slightly more than 3 per cent.

Lerner Stores Corporation reported increased sales of more than 16 per cent, to $329 million, and net income after taxes of more than 37 per cent, to $13.8 million—its fifth year in a row of sales and earnings records.

The chain, the nation's largest specializing in women's and children's apparel, now operates 386 Lerner Shops throughout the country. Thirteen new shops were opened in 1969.

McCrory management expects that fiscal 1970 will produce satisfactory profits, in part because of its stress on control of inventories and costs. All McCrory units plan to open new outlets and to improve sales and operating profits.

McCrory Corporation Units

McCRORY-McLELLAN-GREEN VARIETY STORES
Operates major variety chain with 642 stores in 38 states.

OTASCO & ECONOMY AUTO STORES
Sells auto, home and outdoor products through 482 stores in South and Southwest.

S. KLEIN DEPARTMENT STORES
Operates 15 high-volume department stores from New York City to Washington, D.C.

BEST & CO.
Famous Fifth Avenue store in New York, plus 15 branch stores.

LERNER STORES CORPORATION
Nation's largest chain specializing in women's and children's apparel, with 386 shops.

Fifth Avenue shopper stopper (Best & Co.)

S. Klein shopping attitude

Windows that woo them (Lerner Shops)

Decisions . . . decisions . . . decisions (McCrory-McLellan-Green)

What will go in their stores? (Otasco managers select lines)

Management

Financial management, long-range planning and policy coordination are essential to the success of Rapid-American and the entire family of companies it controls. These functions are the responsibility of the top management of Rapid-American Corporation (left to right): Isidore A. Becker, vice chairman and chief financial officer; Meshulam Riklis, chairman, president and chief executive officer; and Leonard C. Lane, co-chairman of the executive committee and executive vice president.

Rapid-American Corporation and Subsidiaries
Statements of Consolidated Income

	Year Ended January 31,	
Revenues:	1970	1969
Net sales and operating revenues	$2,088,703,923	$926,920,964
Other—net	7,689,150	4,891,636
	2,096,393,073	931,812,600
Costs and Expenses:		
Cost of goods sold and operating expenses	1,527,620,433	676,896,919
Selling, advertising, general and administrative expenses	396,126,282	194,224,212
Interest and debt expense	71,605,914	16,841,403
Depreciation and amortization	22,999,930	9,783,480
Federal and foreign income taxes	36,415,166	16,115,106
	2,054,767,725	913,861,120
Income Before Minority Interest and Extraordinary Credits	41,625,348	17,951,480
Income Applicable to Minority Interest	21,592,151	9,992,220
Income Before Extraordinary Credits	20,033,197	7,959,260
Extraordinary Credits	709,339	2,936,967
Net Income	$ 20,742,536	$ 10,896,227
EARNINGS PER SHARE OF COMMON STOCK:		
Primary:		
Income before extraordinary credits	$3.34	$2.29
Extraordinary credits	.13	.97
Net income	$3.47	$3.26
Fully diluted:		
Income before extraordinary credits	$1.41	$1.08
Extraordinary credits	.09	.55
Net income	$1.50	$1.63

See Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries
Consolidated Balance Sheets

ASSETS	January 31, 1970	1969
Current Assets:		
Cash, including certificates of deposit	$ 95,973,405	$ 20,446,560
Marketable securities, at cost which approximates market	13,901,269	
Trade receivables, less allowances ($7,227,830 and $1,770,714)	213,981,716	3,272,592
Inventories	591,771,048	150,161,395
Other receivables, prepaid expenses, etc.	31,838,456	12,254,322
Total Current Assets	947,465,894	186,134,869
Investments in and Advances to:		
Seager Evans & Co. Ltd., at equity	19,540,950	
McCrory Credit Corporation, at equity	12,250,631	10,766,867
Glen Alden Corporation, at cost		36,168,055
Unconsolidated subsidiaries and affiliates, substantially at cost less, in 1970, a reserve of $2,750,000	11,086,791	1,982,500
	42,878,372	48,917,422
Property, Plant and Equipment, at cost	621,574,647	203,960,363
Less accumulated depreciation and amortization	328,764,394	109,017,080
	292,810,253	94,943,283
Other Assets:		
Excess of cost of investments over related equities	211,063,398	35,294,746
Unamortized debt expense	115,835,694	7,080,880
Franchises	50,000,000	
Trademarks, deferred charges and unamortized goodwill	13,727,617	5,222,225
Deferred stock bonus expense	7,681,528	6,415,795
Mortgages and sundry	19,610,855	2,033,088
	417,919,092	56,046,734
	$1,701,073,611	$386,042,308

See Notes to Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	*January 31,* 1970	1969
Current Liabilities:		
Short-term debt	$ 167,033,825	
Current maturities of long-term and convertible debt	85,341,768	$ 15,355,688
Accounts payable	84,991,987	30,473,156
Accrued expenses and sundry	105,828,907	31,314,510
Accrued Federal and foreign income taxes	26,225,508	13,580,804
Total Current Liabilities	469,421,995	90,724,158
Long-term Debt, less current maturities	748,226,481	103,018,859
Deferred Income Taxes and Other	67,632,774	29,157,598
Minority Interest in Subsidiary Companies	207,294,619	80,445,580
Convertible Debt, less current maturities	33,484,281	30,375,547
Shareholders' Equity:		
Preferred stock	850,812	1,002,280
Common stock, $1 par value, authorized 20,000,000 shares, issued (1970) 7,186,767 shares and (1969) 3,621,843 shares, less treasury stock (1970) 618,928 shares and (1969) 31,036 shares	6,567,839	3,590,807
Capital surplus	207,526,302	42,505,575
Earned surplus	25,173,164	12,120,205
Equity in subsidiaries' cost of their treasury stock and, in 1970, subsidiary's cost of investment in Rapid-American Corporation common stock (less par value) and warrants	(65,104,656)	(6,898,301)
Shareholders' Equity	175,013,461	52,320,566
	$1,701,073,611	$386,042,308

See Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries
Statements of Shareholders' Equity
For the Two Years Ended January 31, 1970

	Preferred Stock	Common Stock	Capital Surplus	Earned Surplus	Subsidiaries' Cost of Treasury Stock*
Balance at February 1, 1968	$2,030,154	$2,812,948	$ 38,796,844	$ 5,512,437	$(11,037,082)
Net income				10,896,227	
Dividends:					
On preferred stock				(915,259)	
On common stock ($.6875 per share)				(2,221,263)	
Exercise of warrants and stock options	10,064	137,623	1,355,941		
Conversion of preferred stock and debentures	(1,037,938)	536,736	2,622,586		
Issuance of stock bonus shares		103,500	2,586,188		
Equity in certain transactions of subsidiaries			(2,855,984)	(1,151,937)	4,138,781
Balance at January 31, 1969	1,002,280	3,590,807	42,505,575	12,120,205	(6,898,301)
Net income				20,742,536	
Dividends:					
On preferred stock				(748,303)	
On common stock ($.5625 per share)				(3,993,037)	
Exercise of stock options	900	38,855	382,989		
Conversion of preferred stock and debentures	(152,368)	290,715	1,182,585		
Issuance of securities pursuant to Exchange Offer for Glen Alden common stock		3,235,354	150,692,022		
Issuance of stock bonus shares—net		9,166	190,438		
Equity in certain transactions of subsidiaries			12,572,693	(2,948,237)	(30,973,673)
Subsidiary's cost of investment in Rapid common stock and warrants		(597,058)			(27,232,682)
Balance at January 31, 1970	$ 850,812	$6,567,839	$207,526,302	$25,173,164	$(65,104,656)

* Consists of equity in subsidiaries' cost of their treasury stock and, in 1970, subsidiary's cost of investment in Rapid-American Corporation common stock (less par value) and warrants.

See Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries
Source and Application of Consolidated Financial Resources

	Year Ended January 31,	
Source:	1970	1969
Operations:		
Net income	$ 20,742,536	$10,896,227
Charges not requiring current outlays:		
Depreciation and amortization, including debt and stock bonus expense, etc.	29,569,221	11,641,301
Income applicable to minority interest (less dividends paid of $9,590,200 and $4,474,484)	12,001,951	5,517,736
Deferred income taxes	5,813,879	4,179,000
	68,127,587	32,234,264
Increase in long-term and convertible debt—net		8,904,094
Exercise of warrants, stock options and issuance of bonus shares	431,910	1,607,128
Certain transactions of subsidiaries—net	445,629	3,568,190
Increase in working capital arising from acquisition of 12,941,416 shares of Glen Alden (at a cost of $199,224,191)	433,988,724	
	502,993,850	46,313,676
Application:		
Additions to property, plant and equipment—net	47,180,561	21,279,967
Cash dividends	4,741,340	3,136,522
Decrease in long-term and convertible debt—net*	58,373,809	
Increase in excess of cost of investments over related equities (exclusive, in 1970, of amount arising from acquisition of Glen Alden shares)	4,281,628	2,800,004
Increase in investment in unconsolidated subsidiaries and affiliates	3,169,158	1,900,564
Other—net	2,614,166	440,104
	120,360,662	29,557,161
Increase in Working Capital	$382,633,188	$16,756,515

* Exclusive of Rapid's 7% subordinated debentures issued in acquisition of Glen Alden shares and McCrory's 7½% subordinated debentures issued in exchange offer for shares of its common stock.

See Notes to Financial Statements.

Notes to Financial Statements, January 31, 1970

Principles of consolidation

The consolidated financial statements include Rapid and its subsidiaries McCrory Corporation and Hanover-North Shore, Inc. for the full year and Glen Alden Corporation from date of acquisition to its year end, December 31, 1969. Accordingly, all references to January 31, 1970 include Glen Alden financial data at December 31, 1969.

The McCrory consolidated financial statements include Lerner Stores Corporation and all wholly-owned subsidiaries of McCrory except McCrory Credit Corporation.

The Glen Alden consolidated financial statements include all subsidiaries except Seager Evans & Co., Ltd., a 75% owned subsidiary in the United Kingdom, and certain other foreign subsidiaries whose assets and operations are not significant.

Extraordinary credits

	Year Ended January 31, 1970	1969
Tax loss carry forward—credit equivalent to reduction in taxes arising from utilization of net operating loss carry-overs	$109,293	$2,418,800
Gain on sale of subsidiary's operating units net of related income taxes (1969 includes gain on sale of securities)	600,046	518,167
Total	$709,339	$2,936,967

Earnings per share of common stock

Primary earnings per share is based on the weighted average number of common shares outstanding during the year and, in 1970, gives effect to the assumed conversion of Glen Alden's common stock equivalent. Fully diluted earnings per share gives effect, with respect to Rapid and its subsidiaries, to the assumed conversion of dilutive convertible securities into common stock and to the exercise of dilutive stock options and warrants with proceeds therefrom applied to the purchase of common treasury stock and the balance, where applicable, to reduce outstanding debt.

The per share amounts for the year ended January 31, 1969 have been restated in accordance with Accounting Principles Board Opinion 15, issued in May 1969.

McCrory Credit Corporation and equity in instalment accounts sold

Rapid and its affiliates assign certain customers' accounts receivable to McCrory Credit Corporation, which remits 90% of the amount thereof. The companies accept reassignment of any accounts in default, as defined. The 10% equity of Rapid in assigned accounts (the uncollected balances of which amount to $65,584,000 at January 31, 1970) is included in trade receivables in the consolidated balance sheet. Collections in January 1970 (payable to McCrory Credit Corporation in February 1970) from assigned customers' accounts (net of 10% equity) amounting to $18,651,000 have been deducted from trade receivables in the consolidated balance sheet. The investment in McCrory Credit Corporation is carried at McCrory's equity in the capital and undistributed earnings at January 31, 1970 as summarized below:

Accounts receivable, less unearned discount	$61,241,673	
Cash	7,688,320	
Other assets, less other liabilities	3,170,638	$72,100,631
Notes payable to banks	59,850,000	
Notes payable to McCrory and subsidiaries	8,000,000	67,850,000
McCrory's equity		$ 4,250,631

Net income of McCrory Credit Corporation for the years ended January 31, 1970 and 1969 was $483,764 and $710,598, respectively. Rapid's equity in each year's net income is included in consolidated income.

Inventories

Inventories consist of the following:	January 31, 1970	1969
At lower of cost or market:		
Principally fifo or average cost:		
Merchandise at stores, plants and warehouses	$ 92,411,986	$ 31,297,566
Work in process	28,403,141	8,471,301
Raw materials and supplies	64,948,551	6,591,099
Retail method—at stores and warehouses	98,516,771	90,418,939
Merchandise in transit, at warehouses and at restaurants—at cost	12,831,814	13,382,490
At cost–whiskey, other spirits and wine:		
In bond	269,023,204	
Tax paid	25,635,581	
Total	$591,771,048	$150,161,395

The in bond inventory is subject to payment of excise taxes upon removal from Government-controlled premises.

Investments in consolidated subsidiaries

Glen Alden Corporation—In November 1968 Rapid acquired in the open market 120,300 shares of Glen Alden common stock. McCrory owned at January 31, 1969, 2,388,230 common shares (13.3%) of Glen Alden. Pursuant to an Exchange Offer, which expired March 14, 1969, Rapid acquired 12,941,416 shares of Glen Alden, including the shares owned by McCrory on such date, and issued in exchange $51,765,664 of 7% debentures, due 1994, 6,470,708 warrants and 3,235,354 shares of common stock. At January 31, 1970, Rapid owned 13,061,716 shares of Glen Alden common stock (64%).

McCrory Corporation—Rapid owned at January 31, 1970, 2,471,268 shares and at January 31, 1969, 2,621,268 shares (56.3% and 50.5%, respectively) of McCrory common stock. At January 31, 1970 these shares were pledged as collateral to secure $16,000,000 of notes payable by Rapid.

At January 31, 1970 the aggregate unallocated cost of investments exceeded equity in underlying net assets at dates of acquisition as follows: common stock of Glen Alden ($55,087,812) and its subsidiaries ($119,781,975), common stock of McCrory ($1,439,307) and its subsidiaries ($20,627,148) and operating assets of Rapid's divisions ($14,127,156). The excess purchase costs have been recognized by the managements of Rapid, Glen Alden and McCrory as being similar in nature to intangibles which have not declined in value since acquisition. Accordingly, at dates of acquisition, such managements adopted the policy of not amortizing these excess purchase costs so long as there is no diminution in value of the related investments. Franchises consist of contracts of Schenley Industries, Inc., a subsidiary of Glen Alden, to import whiskeys, liquors, and other distilled spirits. In the opinion of management such franchises have continuing value and accordingly are not amortized.

Property, plant and equipment

Property, plant and equipment consists of the following:	January 31, 1970	1969
Land	$ 35,814,422	$ 2,117,824
Buildings, store properties, warehouses and leased facilities	185,473,766	15,910,803
Furniture and fixtures and leasehold improvements	235,816,467	181,480,666
Machinery and equipment	164,469,992	4,451,070
Total	$621,574,647	$203,960,363

Rapid and its subsidiaries provide for depreciation and amortization at rates applied generally on the straight-line method over the estimated service lives of the properties.

Long-term and convertible debt

At January 31, 1970 such debt consisted of the following:

Long-term debt: *Parent:*	Current Maturities	Long-Term Debt
5¾% to 9% notes, due 1970 to 1976	$ 4,712,500	$ 16,975,000
7% subordinated debentures, due 1994 (a)		46,779,736
2% to 7% mortgages	85,000	4,336,858
Total parent	4,797,500	68,091,594
Subsidiaries:		
Sinking fund subordinated debentures:		
5% due 1981 (b)	219,220	12,604,230
5½% due 1976 (c)		23,187,640
6% due 1988 (d)		339,737,300
6½% due 1982 (e)	94,744	9,724,086
7½% due 1994 (f)		60,000,000
Notes Payable:		
3% to 8⅞% to various institutions due 1970 to 1979	11,000,000	114,500,000
Revolving credit agreement (g)		20,300,000
7¼% to insurance company, due annually from 1975 through 1984 (h)		35,000,000
3% to 10⅝% to domestic and foreign banks, due 1970 to 1980 (i)	56,372,920	28,030,909
2% to 8½% mortgages and other, due 1970 to 1986	10,190,718	37,050,722
Total long-term debt	$82,675,102	$748,226,481
Convertible subordinated debt:		
Parent:		
5¾% debentures, due 1977 (j)		$ 9,005,640
6% notes, due 1970 to 1972 (k)	$2,666,666	5,333,334
Total parent	2,666,666	14,338,974
Subsidiaries—debentures:		
5% due 1986 (l)		814,000
6½% due 1992 (m)		8,331,307
7% due 1973 (n)		10,000,000
Total convertible debt	$2,666,666	$33,484,281

The aggregate of long-term and convertible debt maturing during the five years ending January 31, 1975 is approximately as follows: 1971, $85,342,000 (included in current liabilities); 1972, $35,712,000; 1973, $38,416,000; 1974, $31,627,000; and 1975, $16,405,000. The year 1972 does not include $20,300,000 of notes payable to banks under Revolving Credit Agreement [see (g) below].

Agreements covering certain indebtedness of Rapid contain covenants concerning working capital position, additional indebtedness and restrictions on transactions in capital stock, and prohibit the declaration and payment of dividends on its common stock subsequent to January 31, 1971 unless consent of certain lenders is obtained.

Income taxes

At January 31, 1970 and 1969, deferred income taxes included in the accompanying consolidated balance sheets amounted to $36,232,260 and $23,844,245, respectively. Deferred income taxes in the amount of $5,813,879 in 1970 and $4,179,000 in 1969 have been provided for the tax effects of items (principally depreciation, instalment sales, amortization, deferred compensation and provision for warranties) reported in different periods for tax and financial reporting purposes.

Preferred stock

At January 31, 1970, $2.25 Cumulative Convertible Preferred Stock of Rapid was as follows:

Number of shares:	
Originally authorized	1,100,000
Issued and outstanding	425,406
Per share:	
Par value	$ 2.00
Redemption price	$ 47.25
Liquidation preference	$ 45.00
Conversion rate	3 for 1
Common shares reserved for conversion	1,276,218
Aggregate par value of stock outstanding	$ 850,812
Aggregate liquidation preference	$19,143,270

Under certain circumstances Rapid may be required to issue up to 371,000 additional shares of $2.25 preferred stock.

Options to purchase Rapid's $2.25 preferred stock are as follows:

	Option Price Range	Number of Shares
Outstanding February 1, 1969	$11.25–$23.31	1,785
Transactions during the year:		
Exercised	$19.29–$23.31	(450)
Cancelled	$23.31	(46)
Outstanding January 31, 1970	$11.25–$23.31	1,289

At January 31, 1970, options to purchase 1,040 shares were exercisable at prices of $11.25 to $23.31. No additional options will be granted under this plan.

(a) Exclusive of $4,985,928 held by McCrory.

(b) Annual sinking fund payments are 2% of the principal amount outstanding in January 1970 for each succeeding year to and including 1974 and at the rate of 5% thereof with respect to each year thereafter to January 1980.

(c) Exclusive of $7,539,080 held in treasury which is available for the following sinking fund requirements in each year: 1971—$2,048,448, 1972 to 1976—$3,277,517, with a final payment of $12,290,687 due in 1976.

(d) Annual sinking fund payments begin in 1979 and continue through 1987.

(e) Annual sinking fund requirements in each year are as follows: 1970 (1%), 1971 to 1973 (2%), 1974 to 1976 (3%), 1977 to 1979 (4%), 1980 and 1981 (5%).

(f) Annual sinking fund payments begin in 1981 and continue through 1993.

(g) 90 day promissory notes to banks, with interest at current prime rate (8½% at January 31, 1970), renewable at the option of McCrory at each maturity date to January 31, 1972. It is McCrory's present intention to renew these notes.

(h) Due in annual instalments of $2,520,000 to 1983 and balance in 1984. Issued with detachable warrants, expiring in 1984, to purchase 700,000 shares of Glen Alden common stock at $14.92 per share.*

(i) An extension of the June 30, 1970 maturity, pertaining to $55,000,000 of these notes, to February 1, 1971, with interest at ¾% above prime rate, is being negotiated.

(j) Convertible into Rapid common stock at $21.25 per share.*

(k) Convertible into Rapid common stock at $30 per share.*

(l) Convertible into Glen Alden $3.15 Cumulative Convertible Preferred Stock at $89.16 per share.*

(m) Convertible into McCrory common stock at $25 per share to February 14, 1972, $30 to February 14, 1977 and $35 to February 15, 1992.*

(n) Convertible into Glen Alden common stock at $17 per share.*

* Subject to anti-dilution.

Common stock

On February 18, 1969, at a special meeting, shareholders approved an increase in the authorized common shares from 10,000,000 to 20,000,000.

Rapid's qualified stock option plan authorizes the grant to officers, other executives and key employees of options to purchase 200,000 shares of common stock at not less than 100% of fair market value on the dates of grant. Option data for the year ended January 31, 1970 are as follows:

	Option Price Range	Number of Shares
Outstanding February 1, 1969	$ 8.17 –$24.50	107,315
Transactions during the year:		
Exercised	$ 8.17 –$12.75	(38,855)
Cancelled	$10.125–$24.50	(1,000)
Outstanding January 31, 1970	$ 8.17 –$24.50	67,460
At January 31, 1970:		
Exercisable	$ 8.17 –$24.50	53,960
Available for grant		22,650

At January 31, 1970, warrants entitling their holders to purchase shares of Rapid's common stock were as follows:

Expiration Date	Exercise Price	Number of Warrants
May 1, 1976	$20	50,000
June 1, 1976	5	100,000
May 15, 1994 (callable at $20)	35	5,276,592
Total		5,426,592

At January 31, 1970 McCrory owned 1,194,116 of the warrants expiring in 1994 (not included above). McCrory also owned 597,058 shares of Rapid's common stock, which have been included with treasury stock in the accompanying financial statements.

At January 31, 1970 there were 544,134 shares of McCrory common stock reserved for the conversion of McCrory preferred and preference stocks and debentures, 436,244 shares of McCrory common stock reserved for issuance under stock option plans and 3,234,478 McCrory common stock purchase warrants outstanding.

At December 31, 1969 there were 8,908,106 shares of Glen Alden common stock reserved for the conversion of Glen Alden preferred and preference stocks and debentures, 1,356,168 shares of Glen Alden common stock reserved for issuance under stock option plans and 700,000 Glen Alden common stock purchase warrants outstanding.

Rapid and its subsidiaries adopted stock bonus plans in 1968. During the year ended January 31, 1970, Rapid under its plans allocated and issued 16,500 shares of its common stock and repurchased 7,334 shares which are available for allocation. The excess of the market values of Rapid's and its subsidiaries' shares on the date of allocation over the par value thereof is being charged to income ratably over periods not exceeding eight years. Amortization for the year ended January 31, 1970 amounted to $1,508,155.

Pension plans

McCrory and Lerner have non-contributory pension plans covering certain of their employees. Pension costs accrued are funded as required. For the years ended January 31, 1970 and 1969 these costs amounted to $662,000 and $620,000, respectively. No contributions were required for one plan for these years since the amounts accumulated in the trust fund exceeded the liability and vested benefits, as computed by the consulting actuary. The past service costs in respect of certain of these plans was approximately $2,620,000, at January 31, 1970, which is being amortized over a 29 year period.

Glen Alden and its subsidiaries have various contributory and non-contributory retirement plans covering eligible employees. Unfunded prior service costs amounted to approximately $10,700,000 at December 31, 1969 of which $8,400,000 is being funded over various periods not exceeding thirty years. The amount charged to income under the plans, including interest on all unfunded prior service costs, was $2,368,000. It is the policy of Glen Alden to fund pension cost accrued. As of December 31, 1969, the actuarially computed value of vested benefits under applicable plans exceeded the total of the related pension funds and balance sheet accruals by approximately $3,100,000.

Commitments and contingencies

Schenley is a party to a civil antitrust suit brought by the United States Department of Justice which seeks divestiture by Schenley of its interest in The Buckingham Corporation, distributors of Cutty Sark scotch whisky in the United States. Discussions between Schenley and the Department of Justice as to a consent decree in the action are currently pending.

There are a number of other lawsuits and claims, including other antitrust actions, pending against Rapid and subsidiaries together with other contingencies (including long-term leases on locations at which operations have been or will be discontinued). Management and counsel are of the opinion that the ultimate liability, if any, will not materially affect the consolidated financial position of Rapid and its subsidiaries. At January 31, 1970 the minimum annual rentals upon property leased to Rapid and its subsidiaries under leases expiring after January 1973 amount to approximately $49,400,000 plus, in certain instances, real estate taxes, insurance, etc.

Accountants' Opinion

To the Board of Directors and Shareholders of Rapid-American Corporation:

We have examined the financial statements of Rapid-American Corporation and subsidiaries for the year ended January 31, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have not examined the financial statements of Lerner Stores Corporation and its subsidiaries; however, we were furnished with the report of other accountants on their examination of the financial statements of that company and its subsidiaries for the year.

In our opinion, based on our examination and the report of other accountants referred to above, the accompanying consolidated balance sheet and statements of consolidated income, shareholders' equity and source and application of consolidated financial resources present fairly the financial position of Rapid-American Corporation and subsidiaries at January 31, 1970 and the results of their operations and the source and application of their consolidated financial resources for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., March 30, 1970

HASKINS & SELLS, *Certified Public Accountants*

Directors

ISIDORE A. BECKER*

GEORGE V. DELSON

PAUL A. JOHNSTON

BERNARD KOBROVSKY

FRED KORROS

LEONARD C. LANE†

SAMUEL J. LEVY†

SAMUEL NEAMAN

MESHULAM RIKLIS*

PINHAS RIKLIS

LORENCE A. SILVERBERG*

MURRAY J. TOUSSIE

HARRY H. WACHTEL*

† Co-chairmen of the Executive Committee
* Members of the Executive Committee

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COUNSEL
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New York, N.Y.

TAX ADVISERS
Hanigsberg, Delson & Broser,
New York, N.Y.

TRANSFER AGENTS
Common Stock
Chemical Bank, New York, N.Y.
First Jersey National Bank,
Jersey City, N.J.
$2.25 Convertible Preferred Stock
Callable Warrants
Chemical Bank, New York, N.Y.

REGISTRAR
The Chase Manhattan Bank (N.A.),
New York, N.Y.

Officers

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Chairman of the Board and President

ISIDORE A. BECKER
Vice Chairman and
Financial Vice President

LEONARD C. LANE
Executive Vice President

ANTHONY W. TRAPANI
Vice President and Treasurer

LORENCE A. SILVERBERG
Vice President

HAIM BERNSTEIN
Vice President

HARRY H. WACHTEL
General Counsel

JOSEPH B. RUSSELL
Secretary

RAPID-AMERICAN
SECURITIES LISTINGS:
Common Stock
New York Stock Exchange
Cincinnati Stock Exchange
Pacific Coast Stock Exchange
$2.25 Convertible Preferred Stock
New York Stock Exchange
Callable Warrants
American Stock Exchange
Pacific Coast Stock Exchange
5¾% Convertible Debentures
American Stock Exchange
7% Subordinated Debentures
New York Stock Exchange

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